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REGIONAL COOPERATION

Summary of the survey of economic and social conditions in Africa, 1991-1992

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I. THE OVERALL SITUATION IN AFRICA

1. Economic growth continued to be weak in 1991, with output rising by only 2.3 per cent compared to 3.2 per cent in 1990 and 2.7 per cent in 1989. This lacklustre performance implies that the continuous decline in per capita income, which has typified the continent's socio-economic profile since the early 1980s, continued in earnest in the opening years of the new decade. The major domestic factors explaining the slower growth of the continent's output are the known structural dislocations of the African economy, notably its low level of domestic interlinkages, rigid production lines and the continued resource constraints for the supply of production inputs, maintenance and creation of new capacities: hence the decline in gross fixed capital formation and stagnation of the investment ratio at about 15 per cent. Political upheavals and transition to the creation of a market-friendly economic environment in many countries have also created their own disruptions and dislocations. These factors were reinforced by the worsening of the international economic environment for Africa, notably through the prolonged recession in countries members of the Organisation for Economic Cooperation and Development (OECD), Africa's major trade and development partners, the resulting stagnation in world trade and poor demand for Africa's exports. Commodity prices continued to fall while oil prices remained depressed at under US$ 20 a barrel and demand flat. The lower price of oil cut into the revenues of the oil exporting countries as production increases could not match lower prices. Also, the African countries dependent on traditional commodities found little or no financial respite from the continuing fall in the prices of such commodities as copper, aluminium, gold, silver, cocoa and coffee.

2. In addition to the problems associated with sluggish growth and poor investment, the African economy has also to contend with problems of inflation, external debt overhang, very low and stagnant share in world trade, low level of industrialization, technological lag and the continued deterioration in almost all social indicators, including the intensification of poverty.

3. Practically all main economic sectors contributed to the poor performance of the African economy in 1991. The Food and Agriculture Organization of the United Nations (FAO) estimates that the volume of agricultural production rose by 2.6 per cent in 1991 compared to only 0.8 per cent in 1990, with cereal, fibres, root crops, and livestock production all up in volume. But though the overall food situation is satisfactory, an emergency situation persists in the Horn of Africa, and, to a lesser extent, in Liberia, Angola, Mozambique, Sierra Leone and Zaire. And despite the increase in cereal output, cereal inputs requirements for sub-Saharan Africa were set at 10.5 million tons in 1991. For industrial crops the fortunes in 1991 were generally better except for coffee. Tobacco and cotton made substantial gains, 13.3 per cent and 7.2 per cent respectively, while sugar production increased by only 0.8 per cent. Coffee output declined by 2.4 per cent, while prices were at record lows in 1991.

Table 1. Developing Africa: economic indicators, 1989-1991

	1989	1990	1991
Output growth (percentage)			
Developing Africa	2.7	3.2	2.3
Oil exporters	3.0	4.0	0.3
Non oil-exporters	2.3	1.7	0.6
Agricultural production (percentage growth)	1.9	0.8	2.5
Oil production (million tons)	293.5	321.2	336.5
Commodity prices growth a/ (percentage, 1980 = 100)	-1.9	-3.9	-3.5
Consumer prices growth (percentage, 1980 = 100)	32.3	15.8	46.6
Current account deficit (billion dollars)	16.0	6.7	8.9

Source: ECA secretariat.

a/ Not including oil.

4. The performance of the manufacturing sector was also very poor, with output estimated to have risen by only 1.3 per cent in 1991 compared to 2.1 per cent in 1990. In addition to structural factors, the poor results could be explained by the lower agricultural supply and the non-availability of spare parts and imported inputs. Indeed, available information points to a reduction of capacity utilization in 1991, which, in many cases, was around 45 per cent for the major sectors of the manufacturing industry. The declining trend in foreign direct investment in the African region continued in 1991, reinforcing the continuous decline in domestic investment in industry. However, there is an apparent shift of emphasis towards small and medium-sized enterprises and for projects using domestic raw materials.

5. In the mining sector, output rose by only 2.3 per cent in 1991, compared to 7.0 per cent in 1990. The output of non-fuel minerals either declined or stagnated while oil production rose by 5 per cent, compared to 10 per cent in 1990. Lower oil and metal prices, as noted earlier, reduced export revenues and forced many mineral exporting countries to reduce imports or suppress their growth.

6. Against a background of sluggish output growth and the transition to institute market-friendly economic policies, inflation rates picked up considerably, from 15.8 per cent in 1990 to 46.6 per cent in 1991. The rapid acceleration in the rate of inflation could be traced largely to supply shortages, currency depreciation, heavy budget deficits, price liberalization measures and the virtual destruction of economies such as those of Liberia and Somalia. In contrast, price levels remained fairly stable in the Franc Zone countries, essentially because of the cautious monetary and fiscal policies pursued in these countries.

7. These economic slippages notwithstanding, stabilization measures dominated the economic scene in most African countries in 1991. A number of countries notably Algeria, Egypt, Kenya, Madagascar, Mozambique, the Sudan and Zimbabwe either devalued their currencies or introduced changes with a view to unifying their exchange rates and bringing about a desired market stability. Measures to free the price system were also taken in a number of countries, including Algeria, Angola, Egypt, Kenya, the Sudan and Zimbabwe. Many countries such as Comoros, Côte d'Ivoire, Egypt, Guinea, Kenya and Lesotho, either privatized sections of their public sector or introduced measures to reform the ownership, control and management of public enterprises. There were also tangible efforts to reform investment codes and reduce budget deficits.

II. THE SUBREGIONAL PICTURE

8. As was in previous years, there were significant variations and divergence among the subregions and economic groupings and countries in Africa during 1991. Output performance in 1991 was weak and generally poorer than that of 1990, except in North Africa. In North Africa output grew by 3.4 per cent against 2.8 per cent in 1990, mainly due to a recovery in agriculture and tourism. In West Africa, which performed better than the average for the whole region, output grew by 3.2 per cent. East Africa and Southern Africa performed poorly with 1.5 per cent and 1.3 per cent growth respectively in 1991. The Central Africa subregion was the hardest hit by the economic down-turn with a negative growth of 3.6 per cent.

9. The African least developed countries (LDCs) continued in poor form with output growth dropping from 2 per cent in 1990 to only 1.3 per cent in 1991. This is largely a reflection of the known structural limitations of this group which seem to outweigh the positive impact of policies designed to boost their productive capacities. This trend, if allowed to continue further, should be a major cause for alarm as it suggests that poverty is increasing, rather than decreasing, in this group of countries.

10. Owing to lower oil prices and persistent structural problems, the oil exporters did not do as well in 1991 as in 1990. They recorded a growth rate of 3.3 per cent, compared to 4 per cent in 1990. Issues related to economic restructuring, utilization of existing capacity and reinforcement of the social sector seem to have increasingly engaged the attention of policy makers in this group of countries as the diversification of the economy away from

dependence on oil became a major preoccupation. However, the relaunch of the economies appears still fraught with difficulties and inflexibilities. Also, some of the countries in the group, such as Algeria and Nigeria, face serious debt servicing problems. In Algeria, for example, debt service takes a large share of export revenues. Whereas the oil exporters maintained their modest gains in 1991, the economies of the non-oil countries slipped in further difficulties with growth falling sharply from 3 per cent in 1989 to 1.5 per cent and 0.6 per cent in 1990 and 1991 respectively. Countries exporting minerals and beverages have been particularly affected.

Table 2. Developing Africa: growth output, by subregion and economic grouping, 1989-1991

Country group	Per capita GDP (in current dollars) 1990	Share of total output 1990	Output growth a/ 1989	1990	1991
North Africa	1 135	54.0	2.4	2.8	3.4
Sub-Saharan Africa b/	340	48.9	3.0	3.3	1.5
Central Africa c/	500	10.4	-0.3	0.1	-3.6
East Africa d/	279	17.3	3.2	2.2	1.3
Southern Africa	374	9.5	2.6	1.0	1.5
West Africa	339	18.3	3.8	5.1	3.2
Sahel	379	6.9	2.6	1.1	2.2
Sub-Saharan Africa without Nigeria	385	43.8	3.8	1.5	0.3
Oil exporters	812	61.0	2.2	4.0	3.3
Non-oil exporters	350	39.0	3.0	1.2	0.6
Least developed	537	23.8	2.3	2.0	1.3
Other e/	219	15.2	1.4	1.6	0.2
Franc Zone	593	13.9	1.1	0.2	1.3
Mineral exporters	381	7.9	0.1	0.5	-3.7
Beverages exporters	241	13.0	3.6	2.0	1.0
Developing Africa	524	100.0	2.7	3.2	2.3

a/ 1980 prices.

b/ Including the Sudan, which is a member of the North African group.

c/ Including Southern Africa.

d/ Including the Sahel.

e/ Non-LDCs and non-oil exporters.

III. THE EXTERNAL SECTOR

11. As a reflection of poor domestic performance and the continuation of adverse external factors, export performance weakened by 5.7 per cent in value terms despite a volume increase of 3 per cent in 1991. This, together with other external resource constraining factors, led to the limitations of import growth to only 3.8 per cent, in terms of value, and only 2.4 per cent in terms of volume, thereby seriously undermining efforts to increase critically needed imported inputs and machinery. As a result, the regional trade deficit rose from US$ 2.5 billion in 1990 to US$ 7.3 billion in 1991, while the current account deficit rose from US$ 6.7 billion to US$ 8.9 billion during this period. The payments position of the non-oil exporters in particular remained extremely tight.

Table 3. Indicators of the merchandise trade of African countries, 1989-1991

(Annual percentage change)

	1989	1990	1991
Exports			
Value	15.8	24.6	-5.6
Volume	13.2	15.0	2.9
Unit value	2.3	8.3	-8.3
Imports			
Value	9.6	11.6	3.6
Volume	7	3.3	2.4
Unit value	2.4	8.0	1.2
Terms of trade	-0.1	0.3	-9.4
Purchasing power of exports	13.1	15.4	-6.7
Share of developing Africa in world trade	2.1	2.3	2.2

Source: ECA secretariat.

12. Africa's terms of trade deteriorated by 9.8 per cent in 1991, while the purchasing power of exports decreased by nearly 7 per cent. This result largely reflected the drop of export prices by 8.3 per cent, arising essentially from the significant slow-down in world trade in 1991. ECA's commodity price index (with 1980 base) shows a fall of 3.5 per cent relative to 1990. The rest is accounted for by weaker oil prices during 1991. Beverage prices, which have been in a steep downward trend since 1988, reached their lowest level so far in 1991. For coffee and cocoa, the oversupply in the market continued to pull down prices. Metal and mineral prices also declined. For copper, the most important metal of Africa, prices went down by 12 per cent. Cotton and sugar prices also weakened.

13. For the major oil exporters, export revenues decreased by 9.7 per cent as a result of the weakening of oil prices which dropped by 17 percentage points in 1991. In contrast, exports from the oil-importing countries rose by 4 per cent in value, to around US$ 21 billion, or 29.5 per cent of total developing Africa's exports. The average picture however masks diverse and sometimes considerable differences in export performance. Many countries seem to have experienced declines in export earnings while some others registered tangible returns during the year.

14. Also the external debt overhang continued with the stock of debt, though falling slightly by 0.7 per cent (owing primarily to the cancellation of part of Egypt's debt), remaining at the high level of US$ 275.1 billion, amounting to 72.8 per cent of the total output of the continent. Debt service obligations are estimated at about 27.5 per cent of exports of goods and services in 1991. There has not been any significant debt relief for Africa, except for Egypt, in 1991, despite the increase in the number of options under the Toronto Plan, which currently provides the main negotiating framework for debt management of low income countries.

IV. THE SOCIAL SITUATION

15. The social scene deteriorated further in 1991 in terms of such critical social indicators as education and health. This notwithstanding, special attention is now being given to the improvement of the social context of development, notably through progressive recognition of and efforts to introduce democratic practices and structures. In 1991, the health sector in Africa continued to face daunting problems. Lack of financial resources greatly constrained government efforts to improve health conditions. Indeed, the major health bottlenecks seem to have grown more complex. The poor health status of the African population has been accentuated by an unsanitary environment and the inadequate application of the United Nations Expanded Programme of Immunization (EPI) against the six major killer diseases of children. Also, despite the considerable strides in the educational sector, current projections indicate that the number of illiterates will increase, rather than decrease, in sub-Saharan Africa by the year 2000. Currently, 90 per cent of the adult population remains illiterate, 90 per cent in rural Africa. The adverse impact of these ratios on development prospects are

obvious and very alarming. The decline in gross enrolment ratio at the first level, which characterized particularly the closing years of the 1980s, has continued into the 1990s.

16. The unemployment situation also worsened further in 1991, as the rate of expansion of employment (2.4 per cent) continues to fall short of the rate of population growth (3.1 per cent). With current rates of GDP growth, prospects for employment expansion in the 1990s remain bleak.

17. While civil strife continues unabated in a number of African countries, increasingly there has been a recognition of the need to solve internal disputes through peaceful means and restoration of the rule of law. There has also been significant progress in the march towards democratization in the continent. During 1991, peaceful transfer of power through elections was accomplished in a number of countries, including Benin, Cape Verde, Guinea-Bissau and Equatorial Guinea. Also, free elections based on multi-party democracy are planned in a number of countries, including Burundi, Cameroon, Comoros, Ethiopia, Kenya, Mali, Mauritania, Rwanda, Seychelles, Sierra Leone, Uganda and the United Republic of Tanzania.

V. OUTLOOK FOR 1992

18. A number of uncertainties - both internal and external - are expected to influence the prospects for the African economy in 1992. Externally, a major factor is the health of the economies of the industrialized countries, Africa's main trade and development partners, as the performance of these economies will greatly influence the continent's export performance and determine the level of resources that could be made available to support its reform programmes. The configuration of direction of world trade is changing fast, the impact of which is still to be precisely assessed. The year 1992, it is to be noted, is also the inaugural year for a Single European Market. The stalemate in the Uruguay Round of negotiations further compounds the uncertainties. Domestically, the continent is in transition politically and economically. With the above conditions in mind, ECA prepared preliminary projections for 1992, based on a number of assumptions, notably: a fairly strong recovery in the economies of industrialized countries; oil prices in the neighbourhood of $21 a barrel; prevalence of fair weather and a stabilized political situation on the continent at large. If these conditions obtain, overall output will pick up from 2.3 per cent in 1991 to about 3.4 per cent in 1992. The rebound will be felt much more strongly in the non-oil-exporting countries which are expected to grow by 4.2 per cent, compared to 0.6 per cent in 1991. Oil exporters are expected to maintain their 1991 growth of 3.3 per cent. It should however be emphasized that given the fragility of the African economy and its vulnerability to external shocks and the wide range of parameters impinging on Africa's development, these projections are mere base-line preliminary forecasts and may need to be revised as the year progresses and more information becomes available.

Table 4. Outlook, 1992

Group/subregion	GDP growth (percentage)			
	1980-1990 (average)	1990	1991	1992
Developing Africa	2.1	3.2	2.3	3.6
North Africa	2.3	2.8	3.4	4.0
Central Africa	2.4	0.1	-3.6	4.4
Eastern Africa	2.7	2.2	1.3	4.6
West Africa	1.6	5.1	3.2	2.5
Sub-Saharan Africa	1.9	3.3	1.5	3.4
Sub-Saharan Africa without Nigeria	2.3	1.5	0.3	4.2
Oil exporters	2.0	4.0	3.3	3.2
Non-oil exporters	2.4	1.7	0.6	4.2
Least developed countries	2.4	2.0	1.3	3.6

Source: ECA secretariat.